



## BLOG

# Myths and Facts: American Health Care Act

by Nan Swift / March 9, 2017

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Unravelling something as multifaceted and convoluted as the “Patient Protection and Affordable Care Act” (PPACA) or Obamacare, without doing further harm to the health insurance marketplace requires some serious policy work. PPACA is a sprawling bill that made significant tax, regulatory, and policy changes to the way many consumers get their health insurance and pay for medical care - and it's been in place for 7 years.

This means there are no quick fixes. That's why it's easy to see why critical parts of the “American Health Care Act” (AHCA), the reconciliation bill recently proposed by House Republicans, have been misconstrued. If we want to move forward to reverse the damage of PPACA root and branch, we need to get past these unconstructive myths.

### **Myth #1: This isn't really repeal.**

It's not that simple. Given political and procedural constraints, repealing PPACA can't be achieved in one bill that can pass both the House and Senate. Instead, it will take a three-pronged approach to fully repeal PPACA: a reconciliation bill (AHCA), Administrative action in the form of Executive Orders and regulatory modifications, and other legislative work.

It's important that legislators use reconciliation, a tool that requires only a simple majority to approve bills in the Senate, to the fullest extent possible. However, there are limits on what can and can't be included in a reconciliation bill. AHCA carefully complies with these guidelines in order to repeal as much as possible, as quickly as possible.

In terms of paring back harmful regulations, Dr. Tom Price, who spearheaded past repeal efforts during his time in the House of Representatives, is already moving forward in his new capacity as Secretary at Health and Human Services (HHS). He and others in the Administration are working to reverse as many of the 192 specific rules spawned by Obamacare as possible. Additionally, several House Committees are, or will soon, act on additional bills to repeal the regulatory cost-drivers of PPACA and increase consumer choice.

### **Myth #2: We got a great repeal bill through the House AND Senate in 2015. That's the best we can do now.**

Good news! If you liked the reconciliation bill that passed the House and Senate with almost unanimous Republican support, you'll love AHCA. It contains almost all of the same provisions: it repeals both the individual and employer mandates, it eliminates the

HHS slush fund, and it eliminates almost all the PPACA taxes (like the medical device, tanning, over-the-counter medication, investment, and health insurance taxes).

It actually goes a lot further than the 2015 bill because on top of repealing some of the worst aspects of Obamacare, AHCA includes pro-consumer reforms that many conservatives have long supported, as well as a major overhaul of Medicaid that ensures its sustainability.

In essence, AHCA is “2015 PLUS” - insurance marketplace solutions, Medicaid reform, and many good policies the vast majority of GOP lawmakers already are on record supporting.

**Myth #3: This bill doesn't do enough to empower health care consumers.**

On average, U.S. consumers saw a 25 percent premium hike in 2016 - with some areas facing increases of 116 percent. For many people, the deductible is so high that they can't afford to use the expensive insurance they are already paying for. In almost one-third of U.S. counties, only one insurer is offering an exchange plan. 18 of 23 Obamacare co-ops have failed, costing taxpayers nearly \$1.9 billion. The list goes on and on. By any measure, Obamacare has been disastrous for consumers and the economy. And without action by Congress and the President, next year, those numbers will be even more dismal.

In response, AHCA would create advanced refundable tax credits that will effectively extend to individuals the tax benefits that currently exist for employer-provided health insurance. This will put consumers back in charge of their health care decisions, as it should be. The bill also expands insurance options and strengthens health-savings accounts.

**Myth #4: The 30 percent late-enrollment surcharge is really just an individual mandate.**

Under the “continuous health insurance coverage incentive,” health insurers would charge a 30 percent premium surcharge for up to one year for late enrollees or anyone who lets their coverage lapse for three months. This compromise provision reduces the risk of letting customers “game the system” by only enrolling when a medical crisis hits, and is similar to past underwriting policies. This will help keep premiums lower for everyone.

**Myth #5: Refundable tax credits are a new entitlement.**

AHCA includes a means-tested tax credit that would be provided to individuals who do not have access to insurance through their employers or via government programs. This is an appropriate way to empower individuals and families as the system transitions away from Obamacare's complex, cumbersome credits, and government-imposed mandates. The tax credit will put consumers, instead of the federal government, in charge of their own insurance options, targeting those who need them most. Making this tax credit advanceable and refundable ensures that all Americans – regardless of their level of income – will have access to affordable insurance. This is particularly important for assisting workers with limited financial means.

The concept of advanced, refundable tax credits has enjoyed broad support from the conservative community for many years. They also appeared in an earlier repeal bill, the Empowering Patients First Act, authored by Secretary of Health and Human Services, Dr. Tom Price, and cosponsored by 84 others in the House including former Rep. Mick Mulvaney (now head of the Office of Management and Budget), Rep. Mark Meadows (R-NC) (current chairman of the Freedom Caucus), and other members of the Freedom Caucus: Dr. Andy Harris (R-MD), Dr. Scott DesJarlais (R-TN), Trent Franks (R-AZ), Ted Yoho (R-FL), and Jeff Duncan (R-SC).

**Myth #6: Significant parts of the bill won't be implemented until 2020. That's too far away, and the reforms will probably never happen.**

If a phased-in implementation period truly prevented legislation from taking effect, much of Obamacare wouldn't be in place right now.

Some of the most complex provisions of AHCA, like the tax credits and Medicaid reforms, aren't fully implemented until 2020. This is to ensure a smooth transition period, giving insurance markets the time they need to stabilize and plan ahead. This three year window is the same as the one in the 2015 bill most Republicans supported.